

STATE AGENCY ACTION REPORT
CON APPLICATION FOR CERTIFICATE OF NEED

A. PROJECT IDENTIFICATION

1. Applicant/CON Action Number

Galencare, Inc./CON #9653
d/b/a Brandon Regional Hospital
119 Oakfield Drive
Brandon, Florida 33511

Authorized Representative: Michael M. Fencel, CEO
(813) 571-5100

2. Service District/Subdistrict

District 6/Subdistrict 1 (Hillsborough County)

B. PUBLIC HEARING

No public hearing was requested or held regarding the proposed project. Fifteen letters of support were submitted by the applicant and three additional letters were sent directly to the Agency. Fifteen letters of support were submitted by physicians, one was from Tampa Electric, one from the Sheriff's office and one letter was from Senator Tom Lee, who is also a member of the Board of Trustees for Brandon Regional Hospital, totaling 18 letters. Key elements of support expressed in many of the letters address the tremendous population growth in East Hillsborough County, high utilization of the emergency department, and significant occupancy of the existing facility beds. According to writers, these elements combine to exacerbate efficient use of existing resources and impacts quality of care rendered at the facility.

C. PROJECT SUMMARY

Galencare, Inc. d/b/a/ Brandon Regional Hospital is an indirect majority-owned subsidiary of HCA-The Healthcare Company. Brandon Regional Hospital is a 277-bed general acute care hospital configured as

255 acute care beds, 14 Level II NICU beds and eight Level III NICU beds. The hospital also provides adult open heart surgery and cardiac catheterization services including angioplasty. The 255 acute care beds currently consist of 147 general medical/surgical beds, including 15 pediatric beds, 54 progressive care (PCU) beds, 26 OB/GYN beds, and 28 critical care/ICU beds. The applicant proposes to add 50 acute care beds, which will be used as 30 new PCU beds (all telemetry monitored) and 10 ICU beds. The project involves 36,045 GSF of new construction at a total project cost of \$13,026,506. The new construction portion of the project is projected to cost \$8,147,446.

The applicant proposes to provide a minimum of three percent of total patient days of care to Medicaid/charity patients in the 50-bed addition. There is an existing Medicaid and charity condition on 30 acute care beds pursuant to CON #4284 of 2.2 percent Medicaid and 4.6 percent charity. The assumptions to Schedule 7A states that approximately 0.25 percent of its patient days will be charity days, therefore when blended with the proposed conditions yields a Medicaid condition of 0.67 percent and a charity condition of 0.49 percent on the entire 305 acute care beds, assuming approval of this project.

D. REVIEW PROCEDURE

The evaluation process is structured by the certificate of need review criteria found in Section 408.035, Florida Statutes, rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code, and local health plans. These criteria form the basis for the goals of the review process. The goals represent desirable outcomes to be attained by successful applicants who demonstrate an overall compliance with the criteria. Analysis of an applicant's capability to undertake the proposed project successfully is conducted by evaluating the responses and data provided in the application, and independent information gathered by the reviewer.

Applications are analyzed to identify strengths and weaknesses in each proposal. If more than one application is submitted for the same type of project in the same district (subdistrict), applications are comparatively reviewed to determine which applicant(s) best meet the review criteria.

Rule 59C-1.010(2) (b), Florida Administrative Code, prohibits any amendments once an application has been deemed complete. The burden of proof to entitlement of a certificate rests with the applicant. As such, the applicant is responsible for the representations in the application. This is attested to as part of the application in the Certification of the Applicant.

As part of the fact-finding, the consultant, Ed Carter, analyzed the application in its entirety with consultation from the Financial Analyst, Roger Bell, who evaluated the financial data, and the Architect, Joel Hill, who evaluated the architecturals and the schematic drawings.

E. CONFORMITY OF PROJECT WITH REVIEW CRITERIA

The following indicate the level of conformity of the proposed project with the review criteria and application content requirements found in Sections 408.035, and 408.037; applicable rules of the State of Florida, Chapters 59C-1 and 59C-2, Florida Administrative Code; and Local Health Plans.

1. Fixed Need Pool

a. Does the project proposed respond to need as published by a fixed need pool? Or does the project proposed seek beds or services in excess of the fixed need pool? Ch. 59C-1.008 and 59C-1.038, Florida Administrative Code.

In Volume 29, Number 4, dated January 24, 2003, of the Florida Administrative Weekly, a fixed need pool of zero beds was published for acute care beds in District 6, Subdistrict 1, for the February 2003 batching cycle.

The agency shall not normally approve applications for new or additional acute care hospital beds in any acute care subdistrict as specified in Ch. 59C-2.100, Florida Administrative Code, unless the average occupancy rate for all existing acute care hospital beds is at or exceeds 75 percent in the respective subdistrict, or the following provisions in Ch. 59C-1.038(5) are met.

District 6, Subdistrict 1, has a total of 2,954 licensed and 39 approved acute care beds as of January 24, 2003. The subdistrict had an average total of 2,935 licensed acute care beds that experienced an average occupancy rate of 57.77 percent for the reporting period July 2001 through June 2002. Brandon Regional Hospital added 22 acute care

beds to its existing 233 acute beds through Exemption #0100010 during the last reporting quarter of this period so that its “averaged” 239 acute care beds for the 12-month reporting period experienced utilization at an average of 86.98 percent. Brandon Regional Hospital is currently licensed for 255 acute care beds (total licensed capacity is 277 beds with 255 acute, 14 Level II NICU and eight Level III NICU).

There are 10 acute care hospitals in Hillsborough County, Subdistrict 1.

**Acute Care Hospitals In Hillsborough County (Subdistrict 1)
Number of Beds and Utilization
July 1, 2001 - June 30, 2002**

Name of Facility	# Beds	% Occ.
Brandon Regional Hospital	255	86.98%
H. Lee Moffitt Cancer Center & Research Hospital	162	55.69%
Memorial Hospital of Tampa	148	43.97%
St. Joseph's Hospital	770	60.03%
South Bay Hospital	112	77.48%
South Florida Baptist Hospital	132	28.23%
Tampa General Hospital	723	53.39%
Town & Country Hospital	166	26.20%
University Community Hospital	374	69.33%
University Community Hospital at Carrollwood	112	54.58%
Total Beds & Average Utilization	2,954	57.77%

Source: AHCA publication, Florida Hospital Bed Need Projections by District, 01/24/03.

- b. Chapter 59C-1.038(5): Approval Under Special Circumstances. Regardless of the subdistrict’s average annual occupancy rate, need for additional acute care beds at an existing hospital is demonstrated if the hospital’s average occupancy rate based on inpatient utilization of all licensed acute care beds is at or exceeds 80 percent. The determination of the average occupancy rate shall be made based on the average 12 months occupancy rate for the reporting period specified in section (4). Proposals for additional beds submitted by facilities qualifying under this subsection shall be reviewed in context with the applicable review criteria in Section 408.035, Florida Statutes.**

For the appropriate period as specified by rule, July 2001 - June 2002, Brandon Regional Hospital’s acute care beds averaged 86.98 percent occupancy. A review of more recent data collected from the Health Council of West Central Florida but not yet published by the Agency, advances utilization experience two more quarters thus verifying an increased utilization trend. Utilizing 12 months of data, January 1, 2002 through December 31, 2002, occupancy increased from 86.98 percent to 87.3 percent, even with the 22-bed addition (233 to 255) that occurred on April 12, 2002.

Section 408.036(3)(n), Florida Statutes exempts from CON review the addition of acute care beds at hospitals experiencing over an 80 percent occupancy rate for any 12-month period. Had the applicant chosen to do so, it could have added up to 26 additional acute care beds in May of 2003. However, the applicant contends that the reality of patient demands at the facility dictate that additional beds be brought on line more quickly and in greater numbers than can be accomplished through continued repetitions of the exemption process. By using space currently under construction the applicant expects to have the proposed 50 beds in place by January 1, 2004. Repeating the exemption process the applicant believes it should circumvent, could have resulted in the use of the additional 26 (exempt) beds for seven months prior to the applicants projected deadline if the applicant had unlicensed observation beds available for conversion to acute care beds (Refer to discussion below, the applicant is constructing a five-story patient tower). In just four months following the applicant's January 1, 2004 deadline, assuming the applicant's projections are correct, it could have requested and been approved for up to 28 additional acute beds through exemption, which would result in four more beds than the applicant is seeking in this application.

c. Other Special Circumstances:

The applicant is seeking approval to add 50 acute care beds at this time in response to increased demand and the opportunity to consolidate construction of these beds on the second floor of a five story patient tower currently under construction. The current construction project (OPC Log #H-7-AE), not included in this 50-bed request, will add four floors above an existing ground floor with the potential to accommodate 40 private rooms per floor. The third, fourth and fifth floors will be shelled-in and will be completed gradually to "spread out" existing bed inventory and convert existing semi-private rooms to single occupancy (currently 188 of BRH's 255 acute care beds are in semi-private rooms). By using space currently under construction the applicant expects to have these 50 beds in place by January 1, 2004 for the hospital's next winter quarter.

The applicant presented the following table to demonstrate the rapid growth in utilization at Brandon Regional Hospital over the past several years. The table was updated using LHC reports to the Agency for the last two quarters of 2002.

**Brandon Regional Hospital
Acute Care Patient Days: CY 1997 - 2002**

Increase			
CY	Pt Days	Number	Percent
1997	48,693		
1998	50,919	2,226	4.6%
1999	56,803	5,884	11.6%
2000	60,839	4,036	7.1%
2001	68,577	7,738	12.7%
2002	78,464	9,887	14.4%
Average Increase		5,954	10.1%

Source: Florida Hospital Bed and Service Utilization by District publications, 07/31/98 - 01/24/03 plus unpublished data collected by the Agency from the LHC for the last two quarters of 2002

Over the six-year period from 1997 to 2002 there has been a 61.14 percent increase in utilization at Brandon Regional Hospital.

The following table presented by the applicant acknowledges that the utilization trend at Brandon Regional Hospital contrasts sharply with that of the subdistrict as a whole (Hillsborough County).

Subdistrict 6-1

Acute Care Patient Days: CY 1997 - 2001

Increase			
CY	Pt Days	Number	Percent
1997	519,900		
1998	551,755	31,855	6.1%
1999	555,772	4,017	0.7%
2000	572,750	16,978	3.1%
2001	602,645	29,895	5.2%
Average Increase		20,686	3.8%

Source: Florida Hospital Bed and Service Utilization by District publications, 07/31/98 - 07/26/02

As shown above, from 1997 through 2001, the percent growth in patient days among all subdistrict hospitals averaged 3.8 percent per annum as compared to the nine percent per average at Brandon Regional Hospital during the same time period (1997 - 2001). When 2002 data is considered average utilization at Brandon Regional Hospital increases to 10 percent.

The applicant states that the dramatic increase in utilization at Brandon Regional Hospital is driven in large measure by population growth within its primary service area. During the 12-month period ending June 2002, the applicant drew 79.2 percent of its acute care patients from 12 Zip code areas in eastern Hillsborough County. Two of the zip codes, most contiguous to the applicant's facility account for 23 percent of Brandon Regional Hospital's discharges. The facility's role as the sole acute care hospital within the fast growing Brandon area has contributed to its development in at least two important ways, according to the applicant.

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First, the applicant states that travel distance from the Brandon area to other Hillsborough-based hospitals is substantially greater, creating a strong preference for locally based services among area residents, and thereby supporting the applicant's emergence as the clear market share leader among acute care hospitals. Secondly, population growth within the primary service area has provided a resident base sufficient in size to attract a full range of medical specialists to the hospital, according to the applicant, and to support the delivery of tertiary services such as neonatal intensive care and open heart surgery.

In the eastern portion of Hillsborough County (12 zip code area), the applicant enjoys a 43.5 percent market share by discharges. The following table reflects the applicant's market share by zip code.

**Brandon Regional Hospital (BRH) Market Share by Zip Code
July 2001 - June 2002**

Zip	Discharges		BRH
	BRH	Total	BRH Share
33510	1,162	1,821	63.8%
33511	2,845	4,130	68.9%
33527	450	1,327	33.9%
33534	440	975	45.1%
33547	434	915	47.4%
33566	504	3,035	16.6%
33567	646	2,438	26.5%
33569	2,074	3,855	53.8%
33584	1,134	2,055	55.2%
33594	2,417	3,711	65.1%
33610	478	4,415	10.8%
33619	1,256	3,150	39.9%
	13,840	31,827	43.5%

Source: CON Application 9653

There is a map on page 16 of the application that shows the zip code areas in proximity to Brandon Regional Hospital.

In a discussion of population growth the applicant presented the following tables to show historical growth and projected growth within its primary service area.

**Historical Primary Service Area (PSA) Population Growth
April 1990 to April 2000**

Area	1990	2000	Change	
			#	%
Core Zips	128,111	168,851	40,740	31.8%
Other PSA	125,464	137,638	12,174	9.7%
Total	253,575	306,489	52,914	20.9%

Source: CON Application #9653, utilizing Claritas Inc. data resources

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From 1990 to the year 2002, the population of the primary service area grew by 20.9 percent, according to the applicant. The bulk of this growth was concentrated in the five zip codes most dependent upon Brandon Regional Hospital for inpatient medical services. The preceding table shows the five core zips grew by nearly 32 percent over the decade, while outlying areas of the primary service area grew by less than 10 percent for an overall average of 20.9 percent.

Projected population growth for the period April 2002 to April 2007 is presented by the applicant in the following table:

**Projected Primary Service Area (PSA) Population Growth
April 2002 to April 2007**

Area	2002	2007	Change	
			#	%
Core Zips	178,436	201,017	22,581	12.7%
Other PSA	142,840	155,137	12,297	8.6%
Total	321,276	356,154	34,878	10.9%

Source: CON Application #9653, utilizing Claritas Inc. data resources

Based on the above table it can be reasonably assumed that the applicant's primary service area is growing at a greater rate than Hillsborough County as a whole, thus demonstrating support for the proposed project.

Another factor affecting need for additional beds according to the applicant is high utilization in the facility's emergency department. Emergency department visits grew from 53,024 in 1999 to 69,883 in 2002. In calendar year 2002, 10,642 patients were admitted from the emergency department. As emergency volumes have grown along with other hospital operations, Brandon Regional Hospital's ability to meet the demand for critical care and general acute care beds has become problematic, according to the applicant. During calendar year 2002, the hospital found it necessary to routinely go on "emergency bypass" status due to a lack of available bed space. The applicant declared itself to be in emergency bypass status for no less than 100 hours in any given month of calendar year 2002. In all the applicant states the hospital was on emergency bypass 45 percent of the time throughout the year. The addition of 22 acute care beds (including four CVICU beds) by exemption (#0100010) became operational in April and appears to have provided some short-term relief to the bed crisis according to the applicant. There was a drop in percentage of time on emergency bypass from an average of 62 percent during the months of January through March to 36 percent the following quarter, and 25 percent for the summer quarter (July - September). However, the applicant reports that in the fall quarter emergency bypass levels rose to 57 percent, near the level experienced

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prior to the bed addition. During the month of November, the applicant reports the hospital was on bypass for 676 out of 720 hours, or 94 percent of the potential hours of service during the month. Because of the continued "bypass" condition in the emergency department over the past nine months, as well as the "expectation of continued rapid growth in the Brandon area population", the applicant states that it is evident that a substantial number of additional acute care beds are needed at Brandon Regional Hospital immediately.

The applicant developed acute care patient day projections utilizing the following rationale; the historic age-specific use rates for the primary service area were multiplied times the projected population for the mid-point (July) of each horizon year to derive an estimate of total service area resident patient days. Then the estimated horizon year patient days were multiplied times the historic Brandon Regional Hospital market share to derive the hospital's expected patient days attributable to service area residents. Finally a 20.77 percent allowance for non primary service area resident use was then added to the in-area patient days to arrive at the final patient estimate for each horizon year. The resulting acute care bed utilization forecasts are considered by the applicant to be "extremely conservative".

**Brandon Regional Hospital
Acute Care Bed Utilization Forecast**

Period	Year	Pt. Days	ADC	Occupancy with	
				255 Beds	305 Beds
Year 1	2004	85,414	234.0	91.8%	76.7%
Year 2	2005	87,515	239.8	94.0%	78.6%
Year 3	2006	89,616	245.5	96.3%	80.5%
Year 4	2007	91,716	251.3	98.5%	82.4%

Source: CON Application #9653

Based on these projections the applicant states that "clearly the levels of occupancy anticipated without the proposed bed addition could not be sustained". Because projections appear conservative and beds are needed at the hospital as evidenced by the percentage of ER diversions, the applicant has shown special circumstance need for beds in excess to those it can now add through CON exemption. It is also noted that the applicant recently began providing adult open heart surgery services and this program is likely to ensure continued growth at the hospital.

2. Local Health Plan Preferences

Is need for the project supported by the applicable district plan? ss. 408.035(1) and 408.037(1), Florida Statutes, and Ch. 59C-1.030(2)(c), Florida Administrative Code.

The October 2000 District 6 CON Allocation Factors Report lists the following preferences relevant to acute care applications:

- 1. Certificate of Need applications that provide the Agency for Health Care Administration with documentation that they provide, or will provide, the largest percent of Medicaid and charity care patient days in relation to other hospitals in the subdistrict. The charity care definition shall be consistent with Section 409.911, Florida Statutes.**

The applicant provided the following table of comparison among Hillsborough County acute care providers, comparing Medicaid and charity days provided in fiscal year ended 2002.

**Medicaid and Charity Days Provided
by Acute Care Facilities in Hillsborough County
FYE 2000**

Facility	Patient Days			Estimated Charity Days	
	Total	Medicaid	% Total	Charity Days	% Total
Brandon Regional Hosp.	66,376	10,416	15.7%	192	0.3%
H. Lee Moffitt Cancer Ctr.	28,204	2,784	9.9%	1,871	6.6%
Memorial Hosp of Tampa	28,324	1,587	5.6%	148	0.5%
So Florida Baptist Hosp.	16,460	2,090	12.7%	396	2.4%
St. Joseph's Hospital	193,720	31,298	16.2%	9,079	4.7%
South Bay Hospital	26,580	908	3.4%	42	0.2%
Tampa General Hospital	147,595	30,947	21.0%	19,259	13.0%
Town & Country Hospital	17,238	1,529	8.9%	129	0.7%
UCH - Carrollwood	20,301	2,878	14.2%	666	3.3%
University Community Hosp	90,625	8,536	9.4%	3,046	3.4%
Hillsborough County	635,423	92,973	14.6%	34,827	5.5%

Source: CON Application #9653 & 2000 Hospital Financial Data report from AHCA

The applicant states that it has a very respectable history of serving those with limited incomes, including patients sponsored by Medicaid and those qualifying for charity care. Schedule 7A shows that the applicant expects to provide Medicaid patient days of care at 12.7 percent and the Medicaid/HMO projection at 3.6 percent in "277" beds. Charity care is not expressly presented in that schedule but is discussed in the application. The applicant indicates in its notes to Schedule C and notes to Schedule 7A that it expects to provide 0.25 percent of its total patient days to charity in the "277" beds shown on Schedule 7A for "year ending

12/31/05” projected revenues “with project”. The applicant’s Schedule 7A pro formas do not show projections for 305 acute beds proposed in this application, rather they show 277 beds both with an without the project. It is noted that 277 represents the existing number of licensed beds at the hospital, including 22 NICU (Level II and III) beds. Typically facilities providing NICU services often provide a higher percentage of services to Medicaid patients. The exception in Hillsborough County is University Community Hospital at Carrollwood, which provides a high percentage of Medicaid services and does not have Level III or II NICU beds. The applicant noted from the above table that it provided a level of Medicaid patient days during fiscal year 2000 that was higher than the county average, and was exceeded only by the Medicaid days/portions of Tampa General Hospital and St. Joseph's Hospital. The applicant states that it is a designated disproportionate share hospital, however it is not shown on the list for State Fiscal Year 2002-2003. Changes in Section 409.911, Florida Statutes in 2002 account for it no longer being so designated. A note to that statute addresses the method used in calculating Medicaid disproportionate share providers in State Fiscal Year 2002-2003, that states in part: "for the state fiscal year 2002-2003 **only**, the agency shall distribute moneys under the regular disproportionate share program only to hospitals that meet the federal minimum requirements and to public hospitals".

As stated in the project summery, the applicant has committed to providing three percent of its patient days to Medicaid/charity patients, however when blended with existing conditions of 2.2 percent Medicaid and 4.6 percent charity (CON #4284) a new condition of 0.67 percent Medicaid and 0.49 percent charity is determined for the entire 305 acute care beds, assuming approval of this project.

- 2. Certificate of Need applications requesting the transfer of existing beds and/or service complement should be given preference if the applicant can document commitment to provide care and assure access for the community regardless of ability to pay. Documentation should include presentation of the factors discussed in the above recommendation.**

The applicant did not respond to this preference as the project does not propose to transfer existing beds.

3. **Certificate of Need applications that can document the following minimum occupancy standards (within their facility) in specific bed categories, in those instances in which numeric bed need exists as shown by the state bed methodology.**

As indicated earlier, numeric bed need as shown by the state bed methodology for this batching cycle for acute care beds was zero.

**Occupancy in Brandon Regional Medical Center's Acute Beds by Bed Category
April 2002 - March 2003**

Service Category	Existing Subdistrict Bed Inventory Occupancy
Medical/Surgical	80%
Pediatric	65%

Source: CON application

The applicant stated that during the most recent 12 months (April 2002-March 2003) Brandon Regional Hospital's 15 pediatric beds averaged 57.3 percent occupancy, however the range of utilization went from a low of 38.9 percent in July 2002 to a high of 79.3 percent in April 2002. During the same period the hospital's medical/surgical beds averaged 84.9 percent occupancy.

4. **Certificate of Need applications that document the impact associated with the transfer of existing beds. Minimally, this documentation should include:**

The applicant did not respond to this preference as the project does not propose to transfer existing beds.

5. **Certificate of Need applications that document the cost-effectiveness and efficiency associated with the addition and/or transfer of new or existing beds. Minimally, this documentation should contain:**

Analysis of current occupancy rates and the projected impact of additional beds and/or existing beds.

Presentation of the existing charge structure and the anticipated impact of the proposed project.

The applicant states that for the most recent 12-month period (April 2002-March 2003) its 255 acute care beds averaged 83.3 percent occupancy - even with the addition of 22 acute care beds in April 2002 via a CON exemption request. (It is noted that the average occupancy is going down with the 22-bed addition from 86.96 for the 12-month period ending June 2002 to 83.3 in six

months with the 22-bed addition). The applicant further explains that it will soon be eligible to request yet another exemption to add 25 more beds, "this does not provide enough bed capacity to accommodate even current demand (28 beds are needed for current patient volumes at the 75 percent occupancy standard), much less any projected growth in demand".

As previously stated, had the applicant chosen to do so, it could have added up to 26 additional acute care beds in May of 2003. However, the applicant contends that the reality of patient demands at the facility dictate that additional beds be brought on line more quickly and in greater numbers than can be accomplished through continued repetitions of the exemption process. By using space currently under construction the applicant expects to have the proposed 50 beds in place by January 1, 2004. Repeating the exemption process the applicant chose to circumvent, could have resulted in the use of the additional 26 (exempt) beds for seven months prior to the applicants projected deadline. In just four months following the applicants January 1, 2004 deadline, the applicant could have requested and been approved for up to 28 additional acute beds through exemption, which would result in four more beds than the applicant is seeking in this application.

The applicant further states that all of the 50 beds can be accommodated in new space already under construction at the facility, and will be ready by January 2004 for the next busy winter quarter. In the architect's review of this project it is stated that the application is extremely confusing about the status of ongoing project(s) relative to the spaces and beds requested at this time. The architect further states although the floor plans were previously reviewed and approved, no review of the costs can be accomplished with the cost data submitted. Given the fact that a new patient tower is currently under construction and the proposed beds could occupy this space, the applicant could have more definitively shown efficiencies in the application associated with bringing 50 new beds on-line.

The applicant said that without the 50 beds currently being sought it will undoubtedly lose patient days and market share because of its increasing inability to accommodate patient demand. The applicant explains that if the 50-bed project is not approved, it will use the new patient tower to "spread out existing beds and services".

The applicant does not provide its existing charge structure as called for in the local health council (LHC) preference above, however it provides total operating costs per patient day "with the project" and "without the project" from Schedule 8A. The financial analysis presented on Schedule 8A shows the total operating costs per patient day with the project are estimated to be \$1,838.36 in year two, compared to \$1,855.70 total operating costs without the project.

- 6. Certificate of Need applications that identify existing and approved providers of like services in the proposed planning area and provide an analysis of need for the proposed service, including the impact of the proposed project on existing providers and why the identified need is not currently being met.**

There are 10 acute care hospitals in Subdistrict 1 (Hillsborough County) of District 6, all within 25 miles of the applicant's facility in Brandon.

**Acute Care Hospitals In Hillsborough County (Subdistrict 1)
Number of Beds and Utilization
July 1, 2001 - June 30, 2002**

Name of Facility	# Beds	% Occ.
Brandon Regional Hospital	255	86.98%
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Tampa General Hospital	723	53.39%
Town & Country Hospital	166	26.20%
University Community Hospital	374	69.33%
University Community Hospital at Carrollwood	112	54.58%
Total Beds & Average Utilization	2,954	57.77%

Source: AHCA publication, Florida Hospital Bed Need Projections by District, 01/24/03.

The applicant states that the need for the 50 acute care beds sought in this application is supported by current patient volumes at Brandon Regional Hospital and by conservative estimates of future demand which preserves current market shares. Brandon Regional Hospital claims that it is one of only two hospitals within its primary service area from which it draws over 79 percent of its patient days. The other facility is South Florida Baptist Hospital, a 132-bed facility serving the Plant City area on the northeast fringe of Brandon's primary service area, located 12.8 miles from Brandon Regional Hospital. According to the applicant, residents of its primary service area overwhelmingly seek inpatient services at Brandon Regional Hospital, which enjoys a 43.5 percent market

share, or at larger hospitals in Tampa, such as Tampa General Hospital and St. Joseph's Hospital, each with a market share of about 14 percent of Brandon's market share. South Florida Baptist Hospital drew only about 9.9 percent of Brandon's primary service area patient days. The applicant expects that South Florida Baptist Hospital and other hospitals in Hillsborough County will also experience increased patient volumes due to population growth in their service areas.

As the applicant notes, this application is based on hospital-specific bed need. It is not expecting to expand its market and projections are based on historical utilization and expected population increases. Section 408.036 (3), Florida Statutes allows hospitals experiencing high occupancy to add beds without going through the CON process.

The applicant has shown that because of high acute care utilization, emergency department diversions and the recent opening of new adult open heart surgery services that special circumstances are shown to demonstrate need for the proposed project.

3. Agency Rule Preferences

Does the project respond to preferences stated in agency rules? Indicate how each applicable criteria for the type of service proposed is met. Ch. 59C-1.031-.044, Florida Administrative Code.

The following criteria and standards found in Chapter 59C-1.038(6) of the Florida Administrative Code are applicable to a request for additional acute care beds:

- a. Priority consideration for initiation of new acute care services or capital expenditures shall be given to applicants with a documented history of providing services to medically indigent patients or a commitment to do so.**

The applicant's provision of care to Medicaid and charity is discussed in Sections E.2.a. above and E.4.i. below.

- b. When there are competing applications within a sub-district, priority consideration shall be given to the applications, which meet the need for additional acute care beds in a particular service through the conversion of existing underutilized beds.**

There are no competing applications for additional acute care beds in District 6, Subdistrict 1.

4. Statutory Review Criteria

- a. Is need for the project evidenced by the availability, quality of care, efficiency, accessibility, and extent of utilization of existing health care facilities and health services in the applicant's service area? ss. 408.035(2) and 408.035(7), Florida Statutes.**

The applicant provided a detailed discussion of and the need for the proposed project in the fixed need pool section of the application.

As previously discussed, the applicant has shown hospital-specific special circumstance need for the project due to current high utilization in existing beds, including the need to go on “emergency bypass”, expected population increases and recent implementation of an adult open heart surgery and angioplasty program.

- b. Does the applicant have a history of and demonstrated the ability to provide quality care? ss. 408.035(3), 408.035(12), Florida Statutes.**

Brandon Regional Hospital, is accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) for three years from May 9, 2000. The applicant included a copy of its JCAHO certificate of accreditation for 2000-2003 with the application. This accreditation status applies to all services offered by the hospital that have been surveyed by the Joint Commission.

According to AHCA data, the Agency received a total of 49 complaints involving Brandon Regional Hospital since the beginning of 2000. Five of these complaints were confirmed; two involved patients rights, two dietary and one for sanitation issues. Another six complaints were confirmed without deficiencies: one each, patient care, patient rights, medical records, falls/injury, equipment failure and one physical plant issues. The remaining complaints were either not confirmed or not investigated. None of the complaints remain open. There are no uncorrected findings from the annual Life Safety Code State Licensure Revisit Survey completed on February 13, 2003.

- c. **Is the applicant proposing special health care services for its service area that are not reasonably and economically accessible in adjacent service areas? ss. 408.035(4), Florida Statutes.**

The applicant is not proposing special health care services for its service area that are not reasonably and economically accessible in adjacent service areas.

- d. **Is the project to be located in a research or teaching hospital? Will the program affect the clinical needs of health professional training programs in the service area? ss. 408.035(5), Florida Statutes.**

The proposed project will not be located in a teaching hospital, nor is the project's purpose research or physician education. The hospital participates with local community educational institutions, as well as other educational institutions, by providing clinical training on-site.

- e. **What resources, including health manpower, management personnel, and funds for capital and operating expenditures, are available for project accomplishment and operation? ss. 408.037(6), Florida Statutes.**

The audited financial statements for Galencare, Inc. and Subsidiaries for the periods ending December 31, 2001 and 2000 were analyzed for the purpose of evaluating the applicant's ability to provide the capital and operational funding necessary to implement the project. The following is a list of accounts and ratios used in the analysis:

	12/31/2001	12/31/2000
Current Assets	\$ 44,677,775	\$ 51,437,463
Cash and Current Investment	\$ 171,844	\$ 90,966
Assets Restricted for Capital Projects	\$ 0	\$ 0
Total Assets	\$ 171,599,420	\$ 151,825,048
Current Liabilities	\$ 20,817,053	\$ 20,411,585
Total Liabilities	\$ 21,051,018	\$ 20,484,752
Total Equity	\$ 150,548,402	\$ 131,340,296
Net Operating Revenues	\$ 256,432,502	\$ 226,305,143
Interest Expense	\$ 1,413,596	\$ 1,062,189
Net Profit - Operations	\$ 26,713,956	\$ 23,404,513
Net Income	\$ 20,039,340	\$ 15,760,970
Cash Flow from Operations	\$ 36,818,685	\$ 21,113,782
Working Capital	\$ 23,860,722	\$ 31,025,878
Current Ratio (CA/CL)	2.1	2.5
Cash Flow to Current Liabilities (CFO/CL)	1.8	1.0
Long-Term Debt to Equity (TL-CL/TE)	0.0	0.0

Times Interest Earned (NPO+Int/Int)	19.9	23.0
Equity to Total Assets (TE/TA)	87.7%	86.5%
Operating Margin (NPO/NOR)	10.4%	10.3%
Total Margin (NI/NOR)	7.8%	7.0%
Return on Assets (NI/TA)	11.7%	10.4%
Operating Cash Flow to Assets (CFO/TA)	21.5%	13.9%

Short-term position:

The applicant's current ratio of 2.1 indicates current assets are over two times that of short-term liabilities, a good position. The working capital (current assets less current liabilities) of \$23.8 million is good. The ratio of cash flow to current liabilities of 1.8 is also good. The applicant has a strong short-term position.

Long-term position:

The long-term debt to equity of 0 is due to the minimal amount of long-term debt. The cash flow to assets of 21.5 percent reflects a high level of cash flows. The most recent year had an operating profit of \$27 million, which resulted in a margin of 10.4 percent, a high level of earnings. The total equity of \$151 million with the equity to assets of 87.7 percent is among the best for Florida hospitals. The applicant has a very strong long-term position.

Capital requirements:

Schedule 2 indicates the applicant had \$94 million in capital projects planned or underway. Since there is no significant long-term debt the \$94 million represents all capital funding needed.

Available capital:

Schedule 2 indicates funding for these projects will come from cash flows of \$27 million with the balance coming from HCA. The applicant's audited financial statement for December 31, 2001 shows cash flows for that year of \$37 million. A letter in the application from HCA states it will fund this project. Audited financial statements of HCA, Inc. included in the application support its ability to provide this funding.

Conclusion:

When we consider the strength and commitment from the applicant and the parent, all capital requirements should be available as needed.

f. What is the immediate and long term financial feasibility of the proposal? ss. 408.037(8), Florida Statutes.

A comparison of the applicant's estimates to the control group values provides for an objective evaluation of financial feasibility, (the likelihood that the services can be provided under the parameters and conditions contained in Schedules 7 and 8), and efficiency, (the degree of economies achievable through the skill and management of the applicant). In general, projections that approximate the median are the most desirable, and balance the opposing forces of feasibility and efficiency. In other words, as estimates approach the highest in the group, it is more likely that the project is feasible, because fewer economies must be realized to achieve the desired outcome. Conversely, as estimates approach the lowest in the group, it is less likely that the project is feasible, because a much higher level of economies must be realized to achieve the desired outcome. These relationships hold true for a constant intensity of service through the relevant range of outcomes. As these relationships go beyond the relevant range of outcomes, revenues and expenses may, either go beyond what the market will tolerate, or may decrease to levels where activities are no longer sustainable.

Comparative data were derived from hospitals in peer groups that reported data in 2001; the applicant will be compared to the hospitals in group 4. Per diem rates are projected to increase by an average of 3.6 percent per year. Inflation adjustments were based on the 3rd Quarter 2002 New CMS Hospital Market Basket Index.

Gross revenues, net revenues, and costs were obtained from Schedules 7 and 8 in the financial section of the application. These were compared to the control group as a calculated amount per adjusted patient day. The adjustment is made to factor out the outpatient revenues in the per patient day computation. Schedule 7, with the project, listed 277 beds as the total where it should be 327. Schedule 7 used the correct number of patient days and only the number of beds and the resulting total utilization was inaccurate. This review uses patient days for all calculations; therefore this error was insignificant to the analysis.

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Net revenue per adjusted patient day (NRAPD) of \$1,363 in year one and \$1,411 in year two is between the control group median and highest values of \$1,286 and \$1,607 in year one and \$1,327 and \$1,659 in year two. The highest level is generally viewed as the practical upper limit on economies of operation. With net revenues falling between the median and highest level, the facility is expected to consume health care resources in proportion to the services provided. (See Comparative Table). The 2001 actual NRAPD for this hospital was \$1,247, which when inflated to year one would be \$1,381.

Projected cost per adjusted patient day of \$1,230 in year one and \$1,271 in year two are both similar to the group median values of \$1,244 in year one and \$1,284 in year two. This application is considered cost-efficient when compared to the control group. (See Comparative Table). The 2001 actual CAPD for this hospital was \$1,098, and when inflated to year one would be \$1,216.

The year two operating profit for the hospital of \$19 million computes to an operating margin per adjusted patient day of \$141 which is between the peer group median of \$29 and highest of \$476. This project is expected to add \$1.6 million to the profit margin in year two. The 2001 financial data submitted to the agency shows the hospital with an operating margin of \$17 million.

The projections indicate the proposal is financially feasible in the immediate and long-term.

COMPARATIVE TABLE

CON # 9653					
Brandon Regional 2001 DATA Peer Group 4	2005	YEAR 2	INFLATION ADJ. VALUES		
	YEAR 2	ACTIVITY	Highest	Median	Lowest
	ACTIVITY	PER DAY			
ROUTINE SERVICES	81,945,202	604	840	551	297
INPATIENT AMBULATORY	7,134,486	53	246	60	32
INPATIENT ANCILLARY SERVICES	411,266,143	3,029	3,861	2,106	1,021
OUTPATIENT SERVICES	222,733,362	1,640	2,453	1,532	913
OTHER OPERATING REVENUE	803,233	6	209	7	0
TOTAL REVENUE	723,882,426	5,331	6,320	4,071	2,777
DEDUCTIONS FROM REVENUE	532,255,400	3,920	*	*	*
NET REVENUES	191,627,026	1,411	1,659	1,327	976
EXPENSES					
ROUTINE	40,532,587	299	355	209	130
ANCILLARY	45,392,950	334	697	433	332
AMBULATORY	9,366,737				
OVERHEAD	77,237,628	569	1,058	578	433
OTHER	0	0			
TOTAL EXPENSES	172,529,902	1,271	2,043	1,284	1,045
OPERATING INCOME	19,097,124	141	476	29	-376
		10.0%			
PATIENT DAYS	93,850		NOT INFLATION ADJUSTED		
ADJUSTED PATIENT DAYS	135,779				
TOTAL BED DAYS AVAILABLE	101,105				
ADJ. FACTOR	0.6912				
TOTAL NUMBER OF BEDS	327				
PERCENT OCCUPANCY	92.8%		89.6%	55.6%	30.5%
<u>PAYER TYPE</u>	<u>PATIENT DAYS</u>	<u>% TOTAL</u>			
MEDICARE	27,802	29.6%	76.9%	56.4%	29.6%
COMMERCIAL	1,092	0.0%			
MEDICAID	11,872	12.6%	12.7%	4.6%	0.8%
PRIVATE	1,379	1.5%			
HMO/PPO	49,405	52.6%	52.6%	28.0%	2.3%
OTHER	2,300	2.5%			
TOTAL	93,850	100.0%			

g. Will the proposed project foster competition to promote quality and cost-effectiveness? ss. 408.035(9), Florida Statutes.

The applicant projects managed care to represent 52.6 percent of its patient days. This is the group highest level and also the hospital's own 2001 managed care percentage. Judging from the managed care forecast this project will have a positive impact on competition.

Schedule 4 shows the hospital's existing 277 beds were occupied during the peak quarter (January through March 2003) at 90.8 percent. After the addition of these 50 beds the occupancy is expected to reach a peak quarter (October through December 2005) of 82.0 percent in the second year. The projection, with the additional beds, was to reach 93,850 patient days in year two. Without these beds the projection is for only 90,104 patient days with a peak quarter occupancy of 92.9 percent. The forecast indicates the hospital will have 3,746 additional patient days because of the addition of these beds. Based on this occupancy approach, this project will have some competitive impact.

This project will foster competition to promote quality and cost-effectiveness.

h. Are the proposed costs and methods of construction reasonable? Do they comply with statutory and rule requirements? ss. 408.035(10), Florida Statutes; Ch. 59A-3 or 59A-4, Florida Administrative Code.

The application proposes to add 50 new acute care beds in a five-story patient tower that is under construction at the facility. The new beds are to be located on the first and second floors. The applicant intends to have 30 PCU beds, 10 ICU beds and a 10-bed CVIC unit.

A review of the AHCA Office of Plans and Construction Project H-0007-AE (referenced in the application) showed that most of the spaces requested in this CON application have already been reviewed and approved and are under construction. The application shows that the requested bed spaces are almost an identical duplication of the bed spaces presently being built. There were a few minor plan changes on the second floor, but the functions are the same.

CON #9239 for an open heart program was submitted in 1999 and the patient bed spaces for this program were sized and designed to accommodate **existing** beds at Brandon Regional Hospital that were to be relocated from other parts of the facility. At the time those plans were reviewed and approved by the AHCA Office of Plans and Construction they were satisfactory and in compliance with building codes in effect at that time.

The applicable building code information in this CON application is almost totally out of date, with no mention of the Florida Building Code, which is currently in effect, nor the fact that there will be a major change in all applicable codes by July 2003. In the Guidelines for Design and Construction of Health Care Facilities published by the American Institute of Architect and to be adopted as part of the new applicable codes, the requirement is that all "Patient spaces" (private, cubicles etc.) must have a minimum of 200 square feet. The private rooms in this application only have 170 square feet and the ICU rooms have only 188 square feet.

All new requests for patient beds, programs and other spaces will have to be reviewed under the new codes. The proposed spaces for patients in this application do not meet the square footage requirements.

No significant review of the costs can be accomplished with the cost data submitted with this application since the requested beds are to be located within a project already under construction.

It is required that schematic drawings be submitted as part of the CON application. Although the drawings for this proposal are more advanced than required, they have been reviewed as schematics with the expectation that they will necessarily be revised and refined during the design development (preliminary) and contract document stages. The architectural review of the application shall not be construed as an in-depth effort to determine complete compliance with all applicable codes and standards. The final responsibility for facility compliance ultimately rests with the owner.

- i. Does the applicant have a history of providing health services to Medicaid patients and the medically indigent? Does the applicant propose to provide health services to Medicaid patients and the medically indigent? ss. 408.035(11), Florida Statutes.**

The following table provides the subdistrict weighted average Medicaid and charity care percentage of patient days provided by each of the 10 acute care hospitals in Hillsborough County

**Acute Care Hospitals In Hillsborough County (Subdistrict 1)
Weighted Average Medicaid and Charity percentage of Patient Days
FYE 2001**

Name of Facility	Medicaid	Charity
Brandon Regional Hospital	16.2%	0.2%
H. Lee Moffitt Cancer Center & Research Hospital	8.5%	1.3%
Memorial Hospital of Tampa	3.1%	0.1%
St. Joseph's Hospital	18.2%	3.0%
South Bay Hospital	3.4%	0.2%
South Florida Baptist Hospital	17.9%	1.6%
Tampa General Hospital	22.5%	9.3%
Town & Country Hospital	10.1%	0.4%
University Community Hospital	9.4%	1.7%
University Community Hospital at Carrollwood	14.2%	1.6%
Subdistrict Average	15.5%	3.2%

Source: AHCA data source for hospital FYE 2001, Financial Review Unit

The assumptions to Schedules 7A and 8A anticipate that the payer mix for the project would include 12.7 percent patient days to Medicaid patients and 3.6 percent patient days to Medicaid/HMO. Charity care is presented as approximately 0.25 percent of total patient days. It should be noted that all of these assumptions are based on 277 beds and not 305 beds, the amount that will exist if the proposed project is approved.

The applicant states that it will continue to be the policy of Brandon Regional Hospital to serve all patients in need in the service area, including Medicaid-sponsored, indigent and handicapped persons, in a non-discriminatory manner. As previously stated the applicant proposes to provide 3.0 percent Medicaid/charity care to patients. When this is blended with the existing 2.2 percent Medicaid and 4.6 percent charity on 30 acute care beds pursuant to CON #4284, the new condition becomes 0.67 percent Medicaid and 0.49 percent charity, based on the entire 305 acute care beds.

F. SUMMARY

Galencare, Inc. d/b/a Brandon Regional Hospital proposes to add 50 acute care beds to the hospital's 255 acute care bed complement for a total licensed capacity of 305 acute care beds.

The proposed project cost is estimated to be \$13,026,506. Construction costs are projected at \$8,147,446 and the project will involve 36,045 gross square feet (GSF) of new construction.

After weighing and balancing all relevant criteria, the following issues are presented:

Need/Special Circumstances:

The AHCA published no need for acute care beds in District 6, Subdistrict 1.

During calendar year 2002, the applicant found it necessary to routinely go on "emergency bypass" due to a lack of available beds space. The addition of 22 licensed beds (including four CVICU beds) in April appears to have provided some short-term relief for this situation, as evidenced by the drop-in percentage of time on emergency bypass from an average of 62 percent during the months of January through March to 36 percent the following quarter, and 25 percent for the summer quarter (July - September). The applicant states that in the fall quarter, emergency bypass levels rose to 57 percent - near the level experienced prior to the bed addition. During the month of November, the hospital was on bypass for 94 percent of the potential hours of service during the month.

Had the applicant chosen to do so, it could have added up to 26 additional acute care beds in April of 2003. However the applicant contends that the reality of patient demands at the facility dictate that additional beds be brought on line more quickly and in greater numbers than can be accomplished through continued repetitions of the exemption process.

Quality of Care:

Brandon Regional Hospital provided a copy of its certificate of accreditation by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).

Cost/Financial Analysis:

The applicant has a strong short-term position and a very strong long-term position. Based on the strength and commitment from the applicant and the parent, all capital requirements should be available as needed. Projections indicate the proposal is financially feasible in the immediate and long-term.

Medicaid/Indigent Charity Care Commitment:

The applicant proposes to provide a minimum of 3 percent of total patient days of care to Medicaid/charity patients in the 50-bed addition. There is an existing Medicaid (2.2 percent) and charity (4.6 percent) condition on 30 acute care beds pursuant to CON #4284, when blended with the proposed conditions (2.75 percent Medicaid and 0.25 percent charity) yields a Medicaid condition of 0.67 percent and a charity condition of 0.49 percent on the entire 305 acute care beds, assuming approval of this project.

Architectural Analysis:

The proposal is to add 50 acute care beds at the existing facility in a five-story patient tower that is currently under construction. The applicable building code information in this CON application is almost totally out of date, with no mention of the Florida Building Code, which is currently in effect, nor the fact that there will be a major change in all applicable codes by July 2003. The requirement is that all "Patient spaces" (private, cubicles etc.) must have a minimum of 200 square feet. The private rooms in this application only have 170 square feet and the ICU rooms have only 188 square feet. All new requests for patient beds, programs and other spaces will have to be reviewed under the new codes. The proposed spaces for patients in this application do not meet the square footage requirements. No significant review of the costs can be accomplished with the cost data submitted with this application since the requested beds are to be located within a project already under construction.

G. RECOMMENDATION

Approve CON #9653 to add 50 acute care beds to Brandon Regional Hospital. The project costs total \$13,026,506 and involve 36,045 GSF of new construction and \$8,147,446 in construction cost.

CONDITIONS:

- (1) A minimum of 0.67 percent of the total annual patient days in the 305 acute beds shall be provided to Medicaid patients.
- (2) A minimum of 0.49 percent of the total annual patient days in the 305 acute beds shall be provided to charity patients.

AUTHORIZATION FOR AGENCY ACTION

Authorized representatives of the Agency for Health Care Administration adopted the recommendation contained herein and released the State Agency Action Report.

DATE: _____

Karen Rivera
Health Services and Facilities Consultant Supervisor
Certificate of Need

Jeffrey N. Gregg
Chief, Bureau of Health Facility Regulation